

## **2006 Intergovernmental Priorities**

### **Priority Issues:**

#### **1. Telecommunications Tax Reform**

Within the last few years, a complex array of technological advances has been merging in the areas of data transmission, Internet access, telecommunications, and video (cable) services. The convergence of these industries, each with disparate, multi-level governmental frameworks for taxation and regulation, has blurred the lines between what is taxable and non-taxable, and is precipitating regulatory review and change that could have far-reaching negative implications for California cities whose taxing authority is based on or patterned after federal law.

Tax reform proposals are being debated at the federal and state levels (in both the legislative and regulatory arenas), with the industry argument that government regulation negatively affects market-based competition. Woven into the evolving conversations are varying themes of tax protection, simplification, uniformity, and even complete removal of local taxation authority. Not surprisingly, these reform efforts are spearheaded by powerful industry lobbies with strong ties to Congress and growing influence in state legislatures across the country.

Given the rapid evolution of converging communications technologies, the disparate and outdated laws that govern each sector (or absence thereof), the intense lobbying efforts of industry, and the competing priorities of Federal and State regulators, there is no question that various types of reform will occur in the near future at the Federal and State levels.

At risk are a wide range of local taxes and fees including utility users taxes, cable franchise fees, rights-of-way fees, and 9-1-1 fees and regulatory surcharges. Taken together, the potential revenue loss for local governments in California is significant, and could exceed \$1.5 billion statewide in local revenue. Along with the possibility of significant revenue loss, cities may lose the ability to negotiate local cable franchise agreements that regulate public rights-of-way and govern and encourage public access programming.

In California, discussions are underway among state lawmakers about how to best standardize the local cable franchise process, which could result in a statewide franchise agreement to replace local agreements. The State of Texas has already passed legislation creating a statewide cable franchise process, effectively removing local control in that state. The State of Florida passed telecommunications reform in 2001 that has eroded local revenues there. Other states such as Virginia are experiencing intense lobbying efforts to reform telecommunications laws.

At the national level, a rewrite of the 1996 Telecommunications Act (and potentially sections of the 1984 and 1992 Cable Acts) is widely anticipated in early 2006. The 1996 Telecommunications Acts is the controlling document for the local franchising authorities. Not only is there potential impact on the cable TV franchise, but also on the cable modem, video and data services which are now considered "interstate information services" and not eligible for regulation by cities. This process has already begun with the introduction of S.1504 (Ensign/McCain), a bill that would nationalize the cable franchise process, among other things. Additional legislation is imminently expected, with the House Commerce Committee recently releasing a

discussion draft of a Telecom Act rewrite that centers around a national law to preempt local cable franchising.

It is important to note that any far-reaching national legislation could entirely preempt state and local laws in this area. It is equally important to note that efforts are being made by both industry and legislators to group the various local revenues streams, however disparate, into one "taxation bucket" in order to streamline tax reform.

The City of Sunnyvale receives more than \$2.5 million in revenue associated with telecommunications services; approximately \$1.5 million in utility users tax from telecom services and approximately \$1 million in cable franchise fees. Any loss of these important revenue sources, or the ability to locally control them, could have significant negative consequences for Sunnyvale.

## **2. Moffett Field, NASA Ames, and Moffett Federal Airfield**

During the past several years, working in partnership with Congresswoman Anna Eshoo's office and the City of Mountain View, Sunnyvale has focused efforts on advocating against the potential relocation of the 129<sup>th</sup> Rescue Wing, and toward protecting the airfield as a secure Federal airfield. Earlier this year the National Guard withdrew its request for funds to relocate the 129<sup>th</sup> Rescue Wing, extending its commitment to Moffett Federal Airfield.

Despite this commitment from the 129<sup>th</sup> Air Rescue Wing, NASA, the government agency which manages the land the Guard operates on, is considering options to reduce a budget deficit reportedly stemming from operations of the Federal airfield. NASA has agreed to hold exploratory discussions with the cities of Sunnyvale and Mountain View about economic-development opportunities to reduce the operating deficit.

The City of San Jose may continue to be interested in having greater access to Moffett, either using it as a reliever airport, or as a civilian or commercial airport. Given the runway constraints of the Bay Area's airports, continued attention needs to be focused on protecting the existing status of the airfield.

Finally, Hanger One at Moffett Field is important to the Sunnyvale community, and has been a regional landmark since its construction in 1933. The City of Sunnyvale supports the use of Federal funds to clean and restore Hanger One at Moffett Field to make it habitable and code-compliant so it may be used for a future public use. At present, the Navy is evaluating remediation options and is expected to announce its decision by the end of the year.

## **3. Base Realignment and Closure (BRAC) of Onizuka Air Force Station**

As part of the 2005 BRAC process, the Department of Defense (DoD) recommended to an independent BRAC Commission that Sunnyvale's Onizuka Air Force Station be closed and that it move its operations to Vandenberg Air Force Base. The BRAC Commission voted in late August, 2005 to approve the DoD's recommendation to close Onizuka and the BRAC Commission's recommendations officially took effect on November 9, 2005 when Congress allowed them to pass into law. Under the BRAC statute, action to close Onizuka must be initiated by September 15, 2007, and must be completed by September 15, 2011.

If no other DoD branch or Federal agency requires the Onizuka property, it will be deemed "surplus" and the disposal process initiated. The City of Sunnyvale will need to request formal designation of a Local Reuse Authority from the Office of Economic Adjustment (OEA), and then initiate the process of reviewing the condition of the property and developing a reuse plan for approval by the (OEA) and the Air Force. The reuse plan for Onizuka Air Force Station is likely to take several years to develop and implement.

### **Priority Watch Issues:**

#### **1. Investment Funding for Workforce Development**

As in 2004 and 2005, "Investment Funding for Workforce Development" will continue to be a Priority Watch Issue for the City in 2006. Financial resources from federal and state governments for workforce development/education and training programs are critical for the reemployment of thousands of dislocated workers and the successful transition of hundreds of downsized businesses, locally. These vital resources are also essential to the economic sustainability of this community. Given the current financial climate at the federal and state levels and the expected impacts brought on by Hurricane Katrina, funding for workforce development for this region continues to be vulnerable in 2006 and could potentially threaten the very survival of these local and critical programs.

#### **2. Environmental Issues**

State and federal environmental issues continue to have potentially significant impacts on the City. Monitoring efforts will include issues such as solid waste/recycling and non-point source discharge legislation and regulations; hazardous materials regulations; regulations which facilitate clean-up of toxic sites; water pollution control NPDES permit regulation; flood control issues; energy deregulation (or re-regulation); and clean air regulations.

The City supports League of California Cities' and National League of Cities' suggested modifications of the Federal Clean Water Act to limit frivolous lawsuits designed for personal gain. Also supported are provision of discharge permits that are attainable and reflect local conditions and circumstances. Policies by Regional Water Quality Boards should recognize the goals of the Clean Water Act but apply an appropriate standard based on local circumstances.

The salt pond conversion project is ongoing and needs to be watched carefully, due to its proximity to the Water Pollution Control Plant, and in order to address other City interests. The South Bay environmental impact of San Francisco International Airport's proposed runway extension also needs to be closely watched.

#### Funding

The City supports legislative efforts to exempt stormwater utility fees from Proposition 218 requirements. Proposition 218, passed by California voters in 1996, requires voter approval for property-related fee or charge increases, except for charges and fees for sewer, water and refuse collection. The case can be made that stormwater fees are commensurate with level of service provided relative to the amount of impervious surface on a property, and not merely a fact of property ownership.

#### **3. Transportation Infrastructure and Funding** Infrastructure

Protection and stabilization of transportation infrastructure funding sources will continue to be a critical issue in 2006.

Sunnyvale has developed an excellent transportation infrastructure, but regional and local growth and the passage of time put continual strain on capacity and maintenance needs. Support for all modes of transportation enhances livable local communities, balances housing and jobs, keeps existing facilities in a state of good repair, and supports economic development.

The key legislative issues are protection and stabilization of transportation funding including sales tax funds and other previously earmarked transportation funding and legislation. Transportation funds have proven especially vulnerable during economic downturns.

1) Transportation sales tax funds are a primary source of capital improvement and transit operations. Proposition 42, which was approved by voters in March 2002, dedicated all gasoline sales tax revenue for local and state transportation needs, but this measure is being subjected to debate and legislative manipulation. California's Governor and Legislature used an override provision to divert these funds to the State General Fund in both the 2003/04 and 2004/05 state budgets. This diversion was not pursued in 2005/06, but the potential for this to occur in 2006/07 is a distinct possibility.

2) State transportation funding sources must be protected from transfers to non-transportation needs. The Transportation Development Act is an example of legislation that continues to be vulnerable given the budget realities at the State level. Previous proposals by the Governor's office make clear that virtually all transportation infrastructure funding should be considered highly vulnerable to transfers for State budget relief needs.

Finally, pending *smart growth* legislation will also have a significant impact on transportation improvement priorities. The concept of coordinating land use and transportation decisions permeates through all layers of government. Ensuring that all perspectives, local sub-regional, regional, and statewide, are taken into consideration and balanced is critical to the success of any initiative in this area.

#### Funding

The transportation funding arena as a whole (roadway improvements, infrastructure maintenance, transit expansion, transit operations, alternative transportation initiatives) is a highly dynamic area requiring constant vigilance.

Locally, Sunnyvale's local transit service provider, the Santa Clara Valley Transportation Authority (VTA), has a major shortfall in its operating funding that has been exacerbated by overcapitalization. Pressure will exist to continue to fund growth of the system, primarily expansion of BART to Santa Clara County, while maintaining as lean an operation as possible. Reconfiguration of service and imposition of new funding mechanisms both have the potential to have significant local effects. The VTA will likely consider a new countywide sales tax measure to fund both operating and capital expansion in 2006.

#### **4. Universal Preschool**

Pending universal preschool legislation may have a significant impact on the City of Sunnyvale. Universal preschool will enable greater numbers of Sunnyvale children to

attend preschool. The *Preschool for All* ballot initiative was received by the State of California Attorney General's Office and will appear on the June 2006 ballot. The initiative calls for a half-day voluntary preschool program for all four-year olds and outlines bachelor degree requirements for universal preschool teachers. Council has directed City staff to focus on collaborative efforts with other community organizations to support the education of preschool providers in Sunnyvale should the initiative pass.